

Chris Reynolds
151 East 31 Street #28E
New York, NY 10016

UNITED STATES BANKRUPTCY COURT

In re

LEHMAN BROTHERS HOLDINGS., ET AL.,

Debtors.

Chapter 11 Case No. 08-13555 (JMP) (Jointly Administered)

Claim Number 28442

OBJECTION TO CLAIMS (TO RECLASSIFY PROOFS OF CLAIM AS EQUITY
INTERESTS)

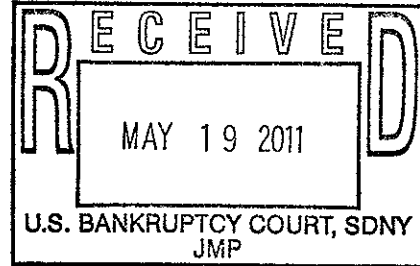
May 13, 2011

Honorable James M. Peck
One Bowling Green
Courtroom 601
New York, N.Y. 1004

Dear Mr. Peck:

I object to Weil, Gotshal & Manages LLP, Attorneys for Debtors in regard to Lehman Brothers Holdings, Inc. et al, Debtors, motion to reclassify my compensation claim (#28442) as equity. Attached is Proof of Claim filed with your court on September 22, 2009.

I joined Neuberger Berman in 1994 and am still an employee of the firm. Neuberger Berman was acquired by Lehman Brothers in 2003 and became a fully-owned subsidiary of Lehman Brothers. At that time, Neuberger Berman's compensation programs were converted to Lehman Brothers formulas.



I object to having my claim reclassified as equity because:

- 1) In re Enron Corp., B.R. 141, 162-63, the Court rejected claims by employees asserting a right to payment for damages in connection with unexercised stock options received during employment. The Court held that these options were securities as defined in section 510 (b) of the Bankruptcy Code. While the employees did not “purchase” these options they nonetheless exchanged value for the options in the form of labor. **I object to this precedent because the basis of value exchanged was misrepresented after employees agreed to compensation program and prior to consideration vesting.**
- 2) During 2007-2008, Lehman Brothers misrepresented their financial position to regulators, investors, and employees. This was evident in the company not taking appropriate provisions on a number of real estate transactions which damaged the firm’s capital. The most significant of these bad investments was Suncal, a Southern California land company, which Lehman invested \$2.2 billion. Lehman Brothers concealed from employees the fact that Suncal had projects which had defaulted in 2007. There are other investments which were not accounted for correctly as well, including Archstone and Hilton, but this was not disseminated in accordance with generally accepted accounting principals.
- 3) In March 2008, Jack L. Rivkin, Chief Investment Officer & Head of Private Asset Management distributed a letter to our clients assuring them of the safety of their assets. This letter highlighted the strong earnings reported that day by Lehman Brothers. The purpose of this memo was to keep clients from leaving Neuberger Berman. To accomplish this objective Lehman Brothers distributed misleading financial information. Please see attached memo.
- 4) In July 2008, senior management of Lehman Brothers provided “Internal Documents” to Neuberger Berman employees to use as talking points to assure clients that Lehman Brothers was in arguably better shape than any other major brokerage firm. This list included Goldman Sachs, Morgan Stanley, and Merrill Lynch. Each of these companies is operating and solvent today. Please see attached internal company analysis.
- 5) Allowing some percentage of the compensation claims to remain as unsecured creditor claims would acknowledge that deferred compensation was used as critical low-cost financing tool for Lehman Brothers. The misrepresentation of Lehman Brothers financial position made this exchange of labor for Lehman securities a fraudulent transaction.
- 6) The fact that these compensation programs were mandatory means that Lehman Brothers management and the Board of Directors as the architects of the plans had a fiduciary duty to accurately represent their financial position.

- 7) According to Weil, Gotshal & Manges LLP brief dated March 25, 2011, outstanding claims for compensation exceeded \$14.395 billion. The dollar amount highlights the extent of the fraudulent compensation scheme which permitted Lehman Brothers to operate and appear well capitalized.

Thank you for your consideration of my objection to having my claim classified as equity.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Reynolds". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Chris Reynolds

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

LEHMAN BROTHERS HOLDINGS INC., *et al.*,

Debtors.

Chapter 11 Case No.

08-13555 (JMP)

(Jointly Administered)

LBH OMN118 04-06-2011 (MERGE2,TXNUM2) 4000074291 BAR(23) MAIL ID *** 000043885626 *** BSIUSE: 280

REYNOLDS, CHRISTIAN F.
111 EAST 30TH STREET
APT. 16 AC
NEW YORK, NY 10016

**THIS IS A NOTICE REGARDING YOUR CLAIM(S). YOU MUST READ IT
AND TAKE ACTION IF YOU DISAGREE WITH THE OBJECTION.**

**IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE OR THE OBJECTION,
PLEASE CONTACT DEBTORS' COUNSEL, LEE GOLDBERG, ESQ., AT 212-310-8928.**

**NOTICE OF HEARING ON DEBTORS' ONE HUNDRED EIGHTEENTH OMNIBUS
OBJECTION TO CLAIMS (TO RECLASSIFY PROOFS OF CLAIM AS EQUITY INTERESTS)**

CLAIM TO BE RECLASSIFIED	
Creditor Name and Address: REYNOLDS, CHRISTIAN F. 111 EAST 30TH STREET APT. 16 AC NEW YORK, NY 10016	Claim Number: 28442 Date Filed: 9/22/2009 Debtor: No Case Classification and Amount: UNSECURED: \$ 1,044,547.00

PLEASE TAKE NOTICE that, on April 6, 2011, Lehman Brothers Holdings Inc. ("LBHI") and certain of its affiliates (collectively, the "Debtors") filed their One Hundred Eighteenth Omnibus Objection to Claims (To Reclassify Proofs of Claim as Equity Interests) (the "Objection") with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").¹

The Objection requests that the Bankruptcy Court reclassify your claim listed above under CLAIM TO BE RECLASSIFIED as an equity interest on the ground that it is based on either restricted stock units, contingent stock awards, stock options, or other equity-related compensation, both distributed and not distributed, and vested and unvested (collectively, the "Equity Awards"), and that ownership of the Equity Awards constitutes an equity interest in a Debtor but does not constitute a claim against a Debtor's estate as such term is defined in section 101 of title 11 of the United States Code (the "Bankruptcy Code"). **Any claim that the Bankruptcy Court reclassifies as an equity interest will not be classified as a claim against LBHI but rather will be treated equivalent with other equity interests in LBHI.**

If you do NOT oppose the reclassification of your claim listed above under CLAIM TO BE RECLASSIFIED, then you do NOT need to file a written response to the Objection and you do NOT need to appear at the hearing.

If you DO oppose the reclassification of your claim listed above under CLAIM TO BE RECLASSIFIED, then you MUST file with the Court and serve on the parties listed below a written response to the Objection that is received on or before 4:00 p.m. prevailing Eastern Time on May 18, 2011 (the "Response Deadline").

¹ A list of the Debtors, along with the last four digits of each Debtor's federal tax identification number, is available on the Debtors' website at <http://www.lehman-docket.com>.

Your response, if any, must contain at a minimum the following: (i) a caption setting forth the name of the Bankruptcy Court, the names of the Debtors, the case number and the title of the Objection to which the response is directed; (ii) the name of the claimant and description of the basis for the amount of the claim; (iii) a concise statement setting forth the reasons why the claim should not be reclassified for the reasons set forth in the Objection, including, but not limited to, the specific factual and legal bases upon which you will rely in opposing the Objection; (iv) all documentation or other evidence of the claim, to the extent not included with the proof of claim previously filed with the Bankruptcy Court or provided to the Debtors in response to the Derivative Questionnaire and/or Guarantee Questionnaire (as defined in the order, dated July 2, 2009, establishing the deadline for filing proofs of claim, approving the form and manner of notice thereof and approving the proof of claim form [Docket No. 4271]), upon which you will rely in opposing the Objection; (v) the address(es) to which the Debtors must return any reply to your response, if different from that presented in the proof of claim; and (vi) the name, address, and telephone number of the person (which may be you or your legal representative) possessing ultimate authority to reconcile, settle, or otherwise resolve the claim on your behalf.

The Bankruptcy Court will consider a response only if the response is timely filed, served, and received. A response will be deemed timely filed, served, and received only if the original response is actually received on or before the Response Deadline by (i) the chambers of the Honorable James M. Peck, One Bowling Green, New York, New York 10004, Courtroom 601; (ii) attorneys for the Debtors, Weil Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Robert J. Lemons, Esq. and Mark Bernstein, Esq.); (iii) the Office of the United States Trustee for Region 2, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Tracy Hope Davis, Esq., Elisabetta Gasparini, Esq. and Andrea Schwartz, Esq.); and (iv) attorneys for the official committee of unsecured creditors appointed in these cases, Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005 (Attn: Dennis F. Dunne, Esq., Dennis O'Donnell, Esq., and Evan Fleck, Esq.)

A hearing will be held on June 2, 2011 to consider the Objection. The hearing will be held at 10:00 a.m. prevailing Eastern Time in the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004, Courtroom 601. If you file a written response to the Objection, you should plan to appear at the hearing. The Debtors, however, reserve the right to continue the hearing on the Objection with respect to your claim. If the Debtors do continue the hearing with respect to your claim, then the hearing will be held at a later date. If the Debtors do not continue the hearing with respect to your claim, then a hearing on the Objection will be conducted on the above date.

If the Bankruptcy Court does NOT reclassify your claim listed above under CLAIM TO BE RECLASSIFIED, then the Debtors have the right to object on other grounds to the claim (or to any other claims you may have filed) at a later date. You will receive a separate notice of any such objections.

You may participate in a hearing telephonically provided that you comply with the Court's instructions (including, without limitation, providing prior written notice to counsel for the Debtors and any statutory committees), which can be found on the Court's website at www.nysb.uscourts.gov.

If you wish to view the complete Objection, you can do so on the Court's electronic docket for the Debtors' chapter 11 cases, which is posted on the internet at www.nysb.uscourts.gov (a PACER login and password are required and can be obtained through the PACER Service Center at www.pacer.psc.uscourts.gov), or for free at <http://www.lehman-docket.com>. If you would like to request a complete copy of the Objection at the Debtors' expense, please contact the Debtors' approved claims agent Epiq Bankruptcy Solutions, LLC toll-free at 1-866-879-0688.

If you have any questions about this notice or the Objection, please contact Debtors' counsel, Lee Goldberg, Esq., at 212-310-8928. CLAIMANTS SHOULD NOT CONTACT THE CLERK OF THE BANKRUPTCY COURT TO DISCUSS THE MERITS OF THEIR CLAIMS.

DATED: April 6, 2011
New York, New York

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
(212) 310-8000
Robert J. Lemons
ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

United States Bankruptcy Court/Southern District of New York
Lehman Brothers Holdings Claims Processing Center
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, P.O. Box 5076
New York, NY 10150-5076

In Re: Chapter 11
Lehman Brothers Holdings Inc., et al. Case No. 08-13555 (JMP)
Debtors. (Jointly Administered)

Name of Debtor Against Which Claim is Held Case No. of Debtor

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense must be filed pursuant to 11 U.S.C. § 503. Additionally, this form should not be used to make a claim for Lehman Programs Securities (See definition on reverse side.)

Name and address of Creditor: (and name and address where notices should be sent if different from Creditor)

Chris Reynolds
111 East 30th Street - 16A/C
New York, NY 10016

Telephone number: 212-476-9819 Email Address:

Name and address where payment should be sent (if different from above)

Telephone number: 212-476-9819 Email Address: CREYNOLDS@NB.COM

1. Amount of Claim as of Date Case Filed: \$
If all or part of your claim is secured, complete Item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete Item 5.

If all or part of your claim qualifies as an Administrative Expense under 11 U.S.C. § 503(b)(9), complete Item 6.

- ☐ Check this box if all or part of your claim is based on a Derivative Contract.*
☐ Check this box if all or part of your claim is based on a Guarantee.*

***IF YOUR CLAIM IS BASED ON AMOUNTS OWED PURSUANT TO EITHER A DERIVATIVE CONTRACT OR A GUARANTEE OF A DEBTOR, YOU MUST ALSO LOG ON TO <http://www.lehman-claims.com> AND FOLLOW THE DIRECTIONS TO COMPLETE THE APPLICABLE QUESTIONNAIRE AND UPLOAD SUPPORTING DOCUMENTATION OR YOUR CLAIM WILL BE DISALLOWED.**

- ☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of interest or additional charges. Attach itemized statement of interest or charges to this form or on <http://www.lehman-claims.com> if claim is a based on a Derivative Contract or Guarantee.

2. Basis for Claim: Lehman Bros HI Pension not covered by PBGC
(See instruction #2 on reverse side.)

3. Last four digits of any number by which creditor identifies debtor: 4415
3a. Debtor may have scheduled account as: _____
(See instruction #3a on reverse side.)

4. Secured Claim (See instruction #4 on reverse side.)

Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff: ☐ Real Estate ☐ Motor Vehicle ☐ Other

Describe: _____

Value of Property: \$ _____ Annual Interest Rate _____ %

Amount of arrearage and other charges as of time case filed included in secured claim, if any:

\$ _____ Basis for perfection: _____

Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____

6. Amount of Claim that qualifies as an Administrative Expense under 11 U.S.C. § 503(b)(9): \$ _____
(See instruction #6 on reverse side.)

7. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

8. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages and security agreements. Attach redacted copies of documents providing evidence of perfection of a security interest. (See definition of "redacted" on reverse side.) If the documents are voluminous, attach a summary.

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

Date:

9/21/09

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

Chris Reynolds

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

PROOF OF CLAIM

THIS SPACE IS FOR COURT USE ONLY

☐ Check this box to indicate that this claim amends a previously filed claim.

Court Claim

Number: _____

(If known)

Filed on: _____

☐ Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

☐ Check this box if you are the debtor or trustee in this case.

5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

Specify the priority of the claim:

- ☐ Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).
☐ Wages, salaries or commissions (up to \$10,950), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4).
☐ Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5).
☐ Up to \$2,425 of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7).
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____).

Amount entitled to priority:

\$ _____

FOR COURT USE ONLY

FILED / RECEIVED

SEP 22 2009

EPIQ BANKRUPTCY SOLUTIONS, LLC

United States Bankruptcy Court/Southern District of New York
Lehman Brothers Holdings Claims Processing Center
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, R.O. Box 5076
New York, NY 10150-5076

In Re:
Lehman Brothers Holdings Inc., et al.
Debtors.

Chapter 11
Case No. 08-13555 (JMP)
(Jointly Administered)

Name of Debtor Against Which Claim is Held

Case No. of Debtor

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503. Additionally, this form should not be used to make a claim for Lehman Programs Securities (See definition on reverse side.)

Name and address of Creditor: (and name and address where notices should be sent if different from Creditor)

LBH (CREDITOR.DBF.CREDNUM)CREDNUM # 1000240494*****
REYNOLDS, F. CHRISTIAN
111 EAST 30TH STREET
APT. 16 AC
NEW YORK, NY 10016

Telephone number: (212) 476-9819 Email Address: FCREYNOLDS@CMB

Name and address where payment should be sent (if different from above)

Telephone number: Email Address:

1. Amount of Claim as of Date Case Filed: \$ 1,044,547
If all or part of your claim is secured, complete Item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete Item 5.
If all or part of your claim qualifies as an Administrative Expense under 11 U.S.C. § 503(b)(9), complete Item 6.

- ☐ Check this box if all or part of your claim is based on a Derivative Contract.*
☐ Check this box if all or part of your claim is based on a Guarantee.*

*IF YOUR CLAIM IS BASED ON AMOUNTS OWED PURSUANT TO EITHER A DERIVATIVE CONTRACT OR A GUARANTEE OF A DEBTOR, YOU MUST ALSO LOG ON TO <http://www.lehman-claims.com> AND FOLLOW THE DIRECTIONS TO COMPLETE THE APPLICABLE QUESTIONNAIRE AND UPLOAD SUPPORTING DOCUMENTATION OR YOUR CLAIM WILL BE DISALLOWED.

- ☐ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of interest or additional charges. Attach itemized statement of interest or charges to this form or on <http://www.lehman-claims.com> if claim is based on a Derivative Contract or Guarantee.

2. Basis for Claim: Services Rendered - Earned Business Deferred Compensation
(See instruction #2 on reverse side.)

3. Last four digits of any number by which creditor identifies debtor: 4415
3a. Debtor may have scheduled account as:
(See instruction #3a on reverse side.)

4. Secured Claim (See instruction #4 on reverse side.)
Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff: ☐ Real Estate ☐ Motor Vehicle ☐ Other

Describe: _____
Value of Property: \$ _____ Annual Interest Rate _____ %
Amount of arrearage and other charges as of time case filed included in secured claim, if any:
\$ _____ Basis for perfection: _____

Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____

6. Amount of Claim that qualifies as an Administrative Expense under 11 U.S.C. § 503(b)(9): \$ _____
(See instruction #6 on reverse side.)

7. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.
8. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages and security agreements.
Attach redacted copies of documents providing evidence of perfection of a security interest. (See definition of "redacted" on reverse side.) If the documents are voluminous, attach a summary.
DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.
If the documents are not available, please explain:

Date:

9/21/09

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

Ch. Reynolds

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

PROOF OF CLAIM

UNIQUE IDENTIFICATION NUMBER: 1000240494

THIS SPACE IS FOR COURT USE ONLY

☐ Check this box to indicate that this claim amends a previously filed claim.

Court Claim

Number: _____

(If known)

Filed on: _____

☐ Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

☐ Check this box if you are the debtor or trustee in this case.

5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

Specify the priority of the claim:

- ☐ Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).
☐ Wages, salaries or commissions (up to \$10,950), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4).
☐ Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5).
☐ Up to \$2,425 of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7).
☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).
☐ Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(_____).

Amount entitled to priority:

\$ _____

FOR COURT USE ONLY

FILED / RECEIVED

SEP 23 2009

EPIQ BANKRUPTCY SOLUTIONS, LLC

Data as of August 31, 2008

AWARD UNITS' OUTSTANDING

Grant Date	Description	Grant Price	Grant Value ²	Restriction Ends	Units Granted	Dividend Equivalents	Units Delivered	Units Vested ³	Units Outstanding	Market Value at \$0.00*
07/01/2008	July 2008 IR RSU	\$20.9600	\$22,285	11/30/2011	1,063.22	13.44	0.00	0.00	1,076.66	\$0
12/07/2007	2007 IR MD Principal	\$44.4300	\$75,330	11/30/2012	1,695.48	34.92	0.00	0.00	1,730.40	\$0
12/07/2007	2007 IR MD Discount	\$44.4300	\$32,284	11/30/2012	726.63	15.00	0.00	0.00	741.63	\$0
12/07/2007	2007 IR MD Principal	\$53.9200	\$74,565	11/30/2011	1,382.88	40.92	0.00	0.00	1,423.80	\$0
12/08/2006	2006 IR MD Discount	\$53.9200	\$31,956	11/30/2011	592.66	17.50	0.00	0.00	610.16	\$0
12/08/2006	2006 IR MD Principal	\$44.1000	\$49,291	11/30/2010	1,117.70	41.02	0.00	0.00	1,158.72	\$0
11/30/2005	2005 IR MD Discount	\$44.1000	\$21,125	11/30/2010	479.02	17.70	0.00	0.00	496.72	\$0
11/30/2005	2005 IR MD Principal	\$30.0300	\$63,524	11/30/2009	2,115.34	95.02	0.00	1,105.17	2,210.36	\$0
12/09/2004	2004 IR MD Discount	\$30.0300	\$27,225	11/30/2009	906.58	40.85	0.00	0.00	947.43	\$0
12/09/2004	2004 IR MD Principal	\$41.0500	\$68,225	01/31/2009	1,662.00	0.00	1,330.00	0.00	332.00	\$0
01/31/2004	LTIP Retention Award	\$34.8140	\$3,000,000	10/31/2008	86,173.46	867.27	69,202.83	0.00	17,837.90	\$0
10/31/2003	LTIP Retention Award		\$3,465,810		97,914.97	1,183.64	70,532.83	1,105.17	28,565.78	\$0
Total										

STOCK OPTIONS OUTSTANDING

Grant Date	Description	Exercise Price	Black-Scholes Grant Price	Black-Scholes Expiration Date	Options Granted	Options Exercised	Options Exercisable	Options Outstanding	Intrinsic Value at \$0.00*
10/31/2003	LTIP Regular Options	\$36.2250	\$0.0000	01/28/2012	30,520	8,000	22,520	22,520	\$0
Total									
Total Equity									

* Market value refers to the value of the underlying Lehman Brothers Holdings Inc. shares at the indicated stock price. The intrinsic value of stock options is calculated by multiplying the number of options outstanding by the difference between the indicated stock price and the option exercise price. Please note that the current market price is based on a delayed 20 minutes feed from Reuters. (null on null)

¹ Award Units are those equity-based awards other than stock options, i.e. Restricted Stock Units, Conditional Equity Awards or Contingent Stock Awards, as applicable.

² Grant Value refers to the value of the underlying Lehman Brothers Holdings Inc. shares at the indicated grant price.

³ Units Vested refers to that portion of the award that has become vested and/or subject to limited conditions, as determined under the applicable plan documents.

F. Christian Reynolds - Outstanding Compensation Claim

<u>Grant Date</u>	<u>Description</u>	<u>Grant Price</u>	<u>Units Outstanding</u>	<u>\$ Value</u>
7/1/08	July 2008 IR RSU	\$20.97	1,076.66	22,573
12/07/07	2007 IR MD	\$44.43	1,730.40	76,882
12/07/07	2007 IR MD	\$44.43	741.63	32,951
12/8/06	2006 IR MD	\$53.92	1,423.80	76,771
12/8/06	2006 IR MD	\$53.92	610.16	32,900
11/30/05	2005 IR MD	\$44.10	1,158.72	51,100
11/30/05	2005 IR MD	\$44.10	496.72	21,905
12/09/04	2004 IR MD	\$30.03	2,210.36	66,377
12/09/04	2004 IR MD	\$30.03	947.43	28,451
1/31/04	2004 IR MD	\$41.05	332.00	13,629
10/31/03	LTIP 85/15	\$34.81	17,837.90	621,009
Total	LTIP Retention			<u>1,044,547</u>

Client Statement

For the period 10/01/2008 to 10/31/2008

F CHRIS REYNOLDS

NEUBERGER BERMAN

Ridge Account : 541-04934 M14
Base Currency : USD
NB Account Number : 523-65896

Positions In Your Account

Quantity	Description	Ticker/Cusip	Average Unit Cost (1)(4)(9)	Total Cost (1)(4)(9)	Price	Mkt. Value	% Portfolio (12)	Annual Income (8)	Yield (10)
NON-DISCRETIONARY (Continued)									
40,000	LEHMAN BROTHERS HOLDINGS INC	LEHMQ	49.8465	1,985,860.75	0.0620	2,480.00	1.39	0.00	0.00
TOTAL NON-DISCRETIONARY				1,985,860.75		2,480.00	1.39	0.00	0.00
GRAND TOTAL (9)				2,197,470.91		178,494.28	100.00	3,934.30	2.20

000002 000000 000019 NEUB



March 18, 2008

A Message from Neuberger Berman

Recently we have seen unprecedented stress in the financial markets, initially due to uncertainty around housing finance credit, now exacerbated by a lack of liquidity and by concerns over potential defaults among issuers across a range of fixed income securities. At the suggestion of your Wealth Advisor, we are writing to let you know that we are pleased with the recent steps taken by the Federal Reserve and where we are as a Firm.

From an industry perspective, the Federal Reserve has taken a number of actions that we believe will be highly constructive in returning the markets to normalcy. One such action involves providing significant liquidity through the creation of a lending facility for primary dealers to improve their ability to obtain financing. In our view, the Fed's actions are very good news and underscore the government's commitment to maintaining liquidity and an orderly marketplace.

As for our parent company, Lehman Brothers, the Firm today produced a solid earnings report in a tough environment, including record net revenues for our Investment Management business segment. From a liquidity standpoint, the Firm's liquidity framework is very robust and our position has been and continues to be very strong.

At Neuberger Berman, we remain steadfast in our approach to delivering outstanding investment performance and client service. During this period of market volatility, our portfolio management teams maintain the discipline of their investment process, intent on identifying investment opportunities within the context of their portfolios and investment guidelines.

You should take comfort in knowing that your assets held at Neuberger Berman are segregated from Lehman Brothers' own property and are not subject to the claims of Lehman Brothers' creditors. In addition to these protections, the Firm is also a member of the Securities Investor Protection Corporation ("SIPC") and has arranged for excess SIPC coverage through the Customer Asset Protection Company ("CAPCO").

In sum, the Fed's action and our own performance and liquidity position reinforce our confidence about our financial condition and our ability to deliver on our mission – to produce outstanding investment performance on your behalf.

As always, we appreciate the trust you have placed in Neuberger Berman. If you have any questions about current market conditions or your portfolio, please do not hesitate to contact your Wealth Advisor.

Sincerely,



Jack L. Rivkin
Chief Investment Officer &
Head of Private Asset Management,
Neuberger Berman



Alison A. Deans
Deputy Head of Private Asset Management,
Neuberger Berman

SAFETY AND SOUNDNESS

From time to time, clients will inquire as to the safety and soundness of their custodian. We have put this paper together in response to our clients' request.

BACKGROUND

Lehman Brothers was founded in 1850 and has evolved into a global investment bank with a network of 44 offices worldwide anchored by its main headquarters in New York and regional headquarters in London and Tokyo. With over 20,000 employees, the firm serves the financial needs of corporations, institutions, governments and high-net-worth investors worldwide. In 1994, the firm became an independent, publicly owned corporation, with common stock trading on the New York and Pacific Stock Exchanges. Registered as a broker-dealer since April 1960 and an Investment Adviser since April 1975, Lehman Brothers has built a reputation for providing state-of-the-art research, distribution, trading and financing services. We are a leading underwriter of global equity and fixed-income securities. We are also a prominent advisor to corporations and governments around the globe, and our research analysts are considered among the best in the world. Lehman Brothers has the financial strength and support required to maintain leadership positions in all of its businesses. The firm is over 30% employee owned.

The Firm acts as a market maker in all major equity and fixed income products in both the domestic and international markets. Lehman Brothers is a member of all principal securities and commodities exchanges in the United States and holds memberships in several principal international securities and commodities exchanges. In addition to its securities transaction services, the Firm is intimately involved in the asset management business for institutions, foundations and individual clients.

To bolster our asset management franchise, in 2003, the Firm acquired Neuberger Berman, LLC ("Neuberger Berman"). Neuberger Berman was founded in 1939 and is a New York Stock Exchange registered broker-dealer. The primary business of the firm has always been discretionary money management and, therefore, since 1940, Neuberger Berman has been registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940. In 1950, the firm introduced one of the first no-load mutual funds, making portfolio management services available to the smaller individual investor. With the passage of ERISA legislation in 1974, Neuberger Berman began managing institutional tax-exempt assets, beginning with equities and then fixed income. In the early 1990s, the firm expanded its focus to include global investments. Subsequent to its acquisition by Lehman Brothers, for its Private Asset Management and Institutional Separate Account business, Neuberger Berman became an introducing broker-dealer to Lehman Brothers, which now provides settlement, clearance and custody of Neuberger Berman's client assets. Clients of Neuberger Berman's Professional Investors Clearing Services continue to have their securities transactions settled, cleared and, if applicable, custodied, at Neuberger Berman.

PROTECTION OF CLIENT ASSETS

Rule 15c3-3 under the Securities Exchange Act of 1934 ("Exchange Act") provides for the safekeeping of funds and securities of clients. The Rule requires, amongst other things, that customer fully paid for securities are segregated from assets of the Firm. In addition, the Firm is required to deposit unencumbered cash with a bank (or banks) in a "Special Reserve Bank Account for the Exclusive Benefit of Customers". With respect to both the securities and cash described above, **these assets are not available to general creditors of the Firm.**

The Rule also requires broker-dealers to promptly obtain physical possession or control of all fully paid and excess margin securities carried for the accounts of clients. Verification of assets in custody is performed on a daily basis. Custody may be physically held securities in-house, or on deposit with a bank or clearing corporation. A security count is conducted on a quarterly basis of physically held assets as provided by Rule 17a-13 under the Exchange Act. In addition, a separate bank account is opened as a Special Reserve Account for the Exclusive Benefit of Customers to provide for the deposit of cash and/or qualifying securities as computed on a weekly basis. Client assets protected under this Rule are not available to general creditors of the firm.

NET CAPITAL RULE

Rule 15c3-1 under the Exchange Act imposes a minimum financial requirement on broker-dealers. The purpose of the Net Capital computation is to determine the brokers-dealer's minimum capital base in the event of adverse business conditions. This minimum capital base is designed to protect a) clients, b) creditors, and c) other broker-dealers.

As of November 30, 2007, Lehman Brothers' net capital was \$2.7 billion, which exceeded our requirements by \$2.1 billion. A copy of Lehman Brothers' financial statement can be found on the World Wide Web at www.Lehman.com. Lehman Brothers is required to submit monthly financial reports to our designated Self Regulatory Agency, The New York Stock Exchange, and quarterly financial reports to the Securities and Exchange Commission in addition to the New York Stock Exchange.

As of November 30, 2007, Neuberger Berman's net capital was \$188 million, which exceeded our requirements by \$183 million. A copy of Neuberger Berman's financial statement can be found on the World Wide Web at www.nb.com. We are required to submit monthly financial reports to our designated Self Regulatory Agency, The New York Stock Exchange and quarterly financial reports to the Securities and Exchange Commission in addition to the New York Stock Exchange.

AUDIT CONTROL

The businesses of Lehman Brothers are audited by the Lehman Brothers Corporate Audit Department. The Corporate Audit Department is responsible for providing senior management and the Audit Committee of the Board of Directors of Lehman Brothers

Holdings, Inc. with an independent assessment of the Firm's internal control environment. The department conducts a comprehensive risk assessment and executes audit reviews on a risk and cycle basis. Corporate Audit coverage includes all global businesses and products and corporate infrastructure areas. The conclusions presented in audit reports are determined solely by audit personnel, including both managers and directors. Corporate Audit has an independent reporting line through the Audit Committee of the Board of Directors. The functions and activities of Corporate Audit are determined by the General Auditor and reviewed by the Audit Committee.

The Investment Management Division (IMD) Audit Team is responsible for auditing the Neuberger Berman businesses. The IMD Audit Director reports to the General Auditor. The range of audits conducted by the IMD Audit Team cover internal controls over financial reporting, business effectiveness and efficiency and compliance with Firm policies and procedures as well as industry rules and regulation. Audit findings resulting from audit activities are reviewed with management who, in turn, provide action plans to address the findings. The Team actively monitors the implementation of any corrective actions that are the result of audit observations. Aged action plans are reported to and reviewed with senior management as well as reported to the Audit Committee.

Ernst & Young, the Firm's independent auditor, performs tests of internal controls during the conduct of the annual audit of the Firm's financial statements. Ernst & Young may also choose to review the work of the Corporate Audit Department, in accordance with SAS 65, to determine the nature, scope and timing of the work performed in connection with their audit activities.

INDEPENDENT AUDITORS

Lehman Brothers' and Neuberger Berman's independent auditors, Ernst & Young, conduct our annual audit as of November 30th.

SECURITIES INVESTORS PROTECTION CORPORATION ("SIPC")

Lehman Brothers Inc. and Neuberger Berman, LLC are members of the Securities Investor Protection Corporation ("SIPC"). Clients of each firm are protected by SIPC against some losses. SIPC provides protection against lost, stolen or missing securities (except loss in value due to a rise or fall in market prices) for clients in the event of the failure of the broker-dealer. Accounts are protected up to \$500,000 per client with a limit of \$100,000 for cash balances. In addition to being a member of SIPC, Lehman Brothers Inc. and Neuberger Berman, LLC also carry excess SIPC Surety Bonds, issued by the Customer Asset Protection Company ("CAPCO") which, subject to certain terms and conditions, provides unlimited * additional coverage beyond SIPC coverage. The additional coverage applies only to customers protected by SIPC, and like SIPC, it does not apply to a loss in value due to a rise or fall in market prices.

Additional information on SIPC and CAPCO can be found at www.sipc.org and <http://www.capcoexcess.com>.

BROKER'S BLANKET BOND

Lehman Brothers Inc. and Neuberger Berman, LLC jointly maintain a Stockbroker's Blanket Bond in the amount of \$150 million, which covers, among other things, lost, or missing securities.

Lehman Brothers Inc.
Neuberger Berman, LLC
Updated as of March 12, 2008

From: Dear Colleague
Sent: Monday, July 14, 2008 9:45 AM
Subject: Message Dick Fuld and Bart McDade

LEHMAN BROTHERS

RICHARD S. FULD, JR.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

BART McDADE
PRESIDENT AND CHIEF OPERATING OFFICER

July 14, 2008

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Dear Colleague,

Our stock price has been under significant pressure over the past several weeks and we understand how this is distressing to each of you and our external shareholders. This performance is not consistent with what we believe to be the true value of our Firm. However, we need to remain focused on the strength of our franchise, which we have all worked so hard to build. We are gratified that, in recent weeks, several major clients have publicly reaffirmed the business they are doing with us every day.

Since the end of the second quarter, we continue to have impressive wins across all of our businesses. Some of the many recent successes include:

- In Capital Markets, Greenwich Associates will announce this week that Lehman Brothers is #1 in U.S. Fixed Income market share; in April, Greenwich Associates also named us #1 in U.S. Equity Sales and Trading quality
- In Investment Banking, last week we advised Crédit Mutuel on its \$7.7 bn announced acquisition of Citigroup's German retail business and advised China Oilfield Services on its \$3.8 bn announced acquisition of Awilco Offshore
- In Investment Management, we secured a number of important mandates in recent weeks including a \$22 bn fixed income mandate in Germany, our largest ever

We have also aggressively reduced leverage and ended the quarter with the lowest leverage ratios in our industry. Including the June 12th equity capital raise, at the end of the second quarter our net leverage ratio would have been 10.1x and our tier 1 capital ratio an industry-leading 13.5%.

During the second quarter, we reduced our exposure to commercial mortgage assets by 19% and residential mortgage assets by 22%. By the end of the third quarter, we expect to further reduce these combined exposures by another 20% and have made substantial progress towards that objective. We are also exploring other longer-term strategic alternatives to further reduce the size of our commercial real estate portfolio.

Our liquidity position remains very strong and is consistent with the end of the second quarter. We have no reliance on "free" customer cash balances in prime brokerage accounts and minimal reliance on commercial paper and other short-term unsecured financing. Our secured funding has remained essentially unchanged through July.

This year, we have raised \$12 bn of equity capital including \$6 bn earlier this quarter. As we continue to reduce our concentrated asset positions, we will redeploy our capital to:

- Support client activity in our core operating businesses

7/14/2008

- Protect the Firm from further market dislocations
- Prudently manage our capital structure, including potentially repurchasing our equity

We are listening to market concerns about the composition of our balance sheet and we continue to take action. Nonetheless, we believe the market is undervaluing our Firm. Major sell-side research analysts have estimated that our Investment Management business alone is worth \$8-\$10 bn, which was the approximate market capitalization of our entire Firm on Friday. The combined value of our Capital Markets, Investment Banking and Investment Management businesses is clearly not being recognized by the market. Our management team is very focused on addressing this value gap:

Thank you for your continued dedication and commitment to our clients and the Firm.

Sincerely,

A handwritten signature in black ink, appearing to read "Dick".A handwritten signature in black ink, appearing to be a stylized "R" or "B".

Forwarding or otherwise distributing this memo or its contents in any form is strictly prohibited.

Talking Points for Q2 '08 10-Q

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KEY TOPICS

1. Drivers of Q2 Earnings Results
2. Impact of Deleveraging
3. Balance Sheet Positioning
4. State of Client Franchise
5. Capital Position, Risk Management and Expenses
6. Liquidity Position
7. Business Model Going Forward

Page numbers refer to relevant pages in Lehman's Q2 '08 10Q

All other material has been publicly disclosed,
e.g., in prior 10Q/10K's, press releases and earnings calls

Talking Points for Q2 '08 10-Q

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DRIVERS OF Q2 EARNINGS RESULTS

Strong Underlying Revenues [pages 4, 68, 75]

\$Billions	Q2	Q1
Net Revenues	\$(0.7)	\$3.5
Losses		
Net Writedowns	(3.7)	(1.8)
Defensive Trading Positions	(0.7)	
Principal Investments	(0.5)	
Underlying Revenues	\$4.2	\$5.3

- Despite negative net revenues in Q2, the underlying revenues were \$4.2B
 - Indicative of the current underlying earnings power of the franchise

MTM Valuation Adjustments [page 68]

\$ Billions	Three Months Ended May 31, 2008		Six Months Ended May 31, 2008		Fiscal Year 2007	
	Gross	Net	Gross	Net	Gross	Net
Residential mortgage-related positions	\$(2.4)	\$(2.0)	\$(5.4)	\$(2.8)	\$(4.7)	\$(1.3)
Other asset-backed-related position	(0.4)	(0.4)	(0.6)	(0.5)	(0.6)	(0.2)
Commercial mortgage and real estate-related investments	(0.9)	(1.3)	(2.3)	(2.3)	(1.4)	(0.9)
Acquisition finance facilities (funded and unfunded)	(0.3)	(0.4)	(1.0)	(0.9)	(1.0)	(0.4)
	(4.0)	(4.1)	(9.3)	(6.5)	(7.7)	(2.8)
Valuation of debt liabilities	0.4	0.4	1.0	1.0	0.9	0.9
	\$(3.6)	\$(3.7)	\$(8.3)	\$(5.5)	\$(6.8)	\$(1.9)

- (\$3.7B) net mark-to-market loss, driven by (\$3.6B) gross writedowns and lack of hedge effectiveness
 - (\$3.6B) gross writedowns concentrated in commercial and residential mortgages
 - Hedge effectiveness essentially 0% in Q2 vs historical average of ~70% (prior three quarters)
 - Hedge ineffectiveness driven by unusual dislocation in spread movements between derivatives and cash assets

Talking Points for Q2 '08 10-Q

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Aggregate LEH Net Writedowns Proportionately Less Than Competitors

\$Billions	Most Recent Q Reported	Q3'07-Latest Reported Net Writedowns	Writedowns as percent	
			Latest Reported Gross Assets	Latest Reported Equity
UBS	Q1	35.8	1.6%	157%
Citi	Q1	33.9	1.5%	26%
MER	Q1	32.0	3.1%	88%
JPM	Q1	3.8	0.2%	3%
MS	Q2	12.5	1.2%	36%
LEH	Q2	7.1	1.1%	27%
GS	Q2	3.4	0.3%	8%

Talking Points for Q2 '08 10-Q

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IMPACT OF DELEVERAGING

Significant Balance Sheet Deleveraging [page 89]

\$Billions	Proforma for capital raise	Q2 '08	Q1 '08	Q1-Q2 Delta
Total assets	\$645	\$639	\$786	(\$147)
Net assets	\$334	\$328	\$397	(\$69)
Gross leverage ratio	20.0x	24.3x	31.7x	(7.4x)
Net leverage ratio	10.1x	12.1x	15.4x	(3.3x)

Reported Leverage Below Peer Group Even Before June '08 Capital Raise

	Q2 Net Leverage	Q2 Gross Leverage
Lehman	12.1	24.3
Goldman	14.7	24.3
Morgan Stanley ¹	14.1	25.1
Merrill	NA	NA

¹ Based on tangible equity; leverage would increase based on shareholders equity

Materially Reduced Exposure to Mortgage, Asset-Backed and Real Estate Asset Classes [page 69]

\$Billions	Q2 '08	Q1 '08	Percent chg
Residential Mortgages			
Securities	\$15.0	\$18.2	
Whole loans	8.3	11.9	
Servicing and other	1.6	1.7	
Total	\$24.9	\$31.8	(22%)
Commercial Real Estate			
Commercial mortgages			
Whole loans	\$19.9	\$24.9	
Securities and other	9.5	11.2	
Total	\$29.4	\$36.1	(19%)
Real estate investments, net	\$10.4	\$12.9	(19%)
Total Commercial Real Estate	\$39.8	\$49.0	(19%)
Other asset-backed securities	\$6.5	\$6.5	(0%)

Talking Points for Q2 '08 10-Q

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Materially Reduced Exposure to Acquisition Finance Commitments [page 72]

\$ Billions	Q2 '08	Q1 '08	% chg
High grade			
Contingent	\$1.7	\$7.2	
Unfunded	1.1	0.8	
Funded	3.7	2.9	
	\$6.5	\$10.9	(40)%
High yield			
Contingent	\$0.4	\$3.7	
Unfunded	2.1	2.2	
Funded	9.0	11.9	
	\$11.5	\$17.8	(35)%
Total	\$18.0	\$28.7	(37)%

Reduced Level 3 Assets by Gross 14% and Net 6% During Quarter [page 32, 62]

- \$5.6B gross reduction (sales and writedowns) represents 14% decline vs. Q1
- Net reduction from \$40.2B to \$37.9B also includes increase of \$3.4B of transfers in from Level 2 / payments, purchases and other transactions
- Impact: Level 3 assets as percent of equity down from 162% in Q1 to 144% in Q2 (117% pro forma)

	\$B	Change vs. Q1	% of equity
Q1 Balance	\$40.2		162%
Sales	(\$3.6)		
Gains / (Losses)	(\$2.0)		
Q2 Balance before Payments, Purchases, Transfers etc	\$34.6	-14%	132%
Net Transfers In	\$1.1		
Payments, Purchases and Other Transactions	\$2.3		
Q2 Balance	\$37.9	-6%	144%

Balance Sheet Reduction Not Driven by R3 or One William Street [page 67]

- Both of these hedge funds are independent, external entities with majority outside investors
- Lehman took minority investments in each because of founding individuals' successful track records during their careers at Lehman
 - Investments are consistent with our alternative asset management business strategy
- One William Street set up in April 2008 by David Sherr. No assets were transferred from Lehman
- R3 Capital Partners was set up by Rick Reider in May 2008. Over the course of the quarter, we transferred to R3 ~\$4.5B assets and derivative risk at fair value
 - Assets represented positions the R3 team managed when they were part of Lehman
 - Assets were predominantly credit bonds and loans, and included a negligible amount of Level 3 securities

Talking Points for Q2 '08 10-Q

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BALANCE SHEET POSITION

Residential Mortgages [page 70]

- U.S. Alt-A / Prime and sub-prime exposures each down 30% from Q1; remaining U.S. subprime exposure \$2.8B

- \$8.0B of remaining \$14.3B U.S. residential exposure is whole loans or AAA securities

\$Billions	Q2	Q1	Change
Alt A / Prime			
Whole loans	2.1	3.7	
AAA Securities	3.9	6.4	
Other RMBS	2.6	2.8	
Servicing / other	1.6	1.7	
Sub-total	10.2	14.6	(30%)
Sub-prime / second lien			
Whole loans	1.1	1.3	
AAA Securities	0.9	1.6	
Other RMBS	0.8	1.1	
Sub-total	2.8	4.0	(30%)
Other U.S.			
Whole loans	1.0	1.6	
Securities	0.3	0.5	
Sub-total	1.3	2.1	(38%)
Total U.S.	14.3	20.7	(31%)

- Non-U.S. mortgage exposure reduced

\$Billions	Q2	Q1	Change
Europe			
Whole loans	3.6	5.0	
Securities	5.7	4.5	
Sub-total	9.3	9.5	(2%)
Asia-Pacific			
Whole loans	0.5	0.3	
Securities	0.2	0.4	
Sub-total	0.7	0.7	0%
Other asset-backed securities	0.6	0.9	(33%)
Total Residential Mortgages	24.9	31.8	(22%)

- Residential mortgage securities more than 90% Investment Grade

High grade	High yield
91%	9%

Talking Points for Q2 '08 10-Q

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- Portfolio exhibits the following characteristics

	WALTV ⁽¹⁾	WALA ⁽²⁾	WAM ⁽³⁾	Fixed	Floating
Senior	76%	18	34	9%	91%
Mezzanine	78%	13	26	15	85

⁽¹⁾ WALTV is weighted average loan to value (LTV) at origination. LTV is ratio of outstanding debt on property to market value of property

⁽²⁾ WALA is weighted average loan age in months

⁽³⁾ WAM is weighted average number of months remaining to initial maturity; to full extension Senior equals 36 months and Mezzanine equals 33 months.

- Commercial mortgage-related securities largely rated investment grade

	Q2
High grade	94%
High yield	6

Other Asset Backed Securities

- \$6.5B of Other Asset Backed Securities is not CDO exposure ¹
 - These positions include franchise-related whole business financings, small business loans, and various asset-backed positions related to student loans, credit cards and auto loans
 - Included within this line are securities as well as whole loans

SunCal and Archstone

- SunCal carrying value of \$1.6B marked in the mid-70's – marked to reflect 15% unlevered return to an investor (over a holding period in excess of 5 years)
 - Our \$29,500 average basis per lot valuation compares very conservatively to other recent transactions
- Equity exposure in Archstone carried at 75 for a value of less than \$1.8B (after we took a mark on the equity position of \$350M this quarter)
 - Archstone is valued using discounted cash value supporting mid-teens IRR.
 - We cross check Archstone valuation using different methodologies – sum-of-the-parts, replacement cost, recent comparables for CAP rates and price per unit, and asset sales from Archstone portfolio

Valuation Methodology

- More generally, Lehman valuation methodology highly robust
- Asset valuations based on observable market prices, or parameters derived from such prices
 - Recent sales activity for that or similar assets
 - Comparisons of prices from external data providers
 - Review of broker quotes for that or similar assets
 - Review of index levels for certain asset classes taking into account any basis risk that may exist between cash and synthetic positions
 - Review of industry research reports
- Recent sales activity in many areas gives us visibility into pricing

Talking Points for Q2 '08 10-Q

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- E&Y reviews our valuations and control processes, and reports to senior mgmt and Audit Committee of Board
 - Internal Audit also conducts extensive reviews of valuation and price verification control processes

¹ ABS CDO exposure is captured in \$0.6B of Other asset-backed securities within Residential Mortgages line item

Talking Points for Q2 '08 10-Q

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STATE OF CLIENT FRANCHISE

Investment Banking

- Market share up across key products

<i>Thomson YTD thru 5/31</i>	2008 YTD	2007
M&A Completed	23.6%	18.9%
Equity/Equity-Related	6.1%	3.6%
U.S. High Grade Debt	8.6%	7.9%

- Multiple Q2 marquee assignments
 - Capital raises for Washington Mutual (\$7B), FNMA (\$5.2B) and CIT (\$1.5B)
 - HP's acquisition of EDS
 - Closed Altria's spin-off of Philip Morris International
 - Defending Yahoo against hostile bid from Microsoft

Investment Management

- \$4B inflows into high fee-based alternative assets
- Private Equity AUM up 45% in past 12 months
- New important mandates – Ford Motor, Teacher Retirement System of Texas
- Private Investment Management generated record revenues in Q2

Fixed Income

- Client revenues up 27% vs Q1 and 40% vs. 1H07; up >35% in each of our regions
- U.S. trading market share approximately 13% for 2008 YTD vs. 12.2% in 2007
- Commodities trading business experienced record performance in Q2
- Securitized products reoriented toward secondary vs. legacy origination model

Equities

- Client revenues up 16% in 1H08 vs. 1H07 and up ~10% or more in each of our regions
- Equity trading market share up YTD on most major exchanges
- Record revenues in prime brokerage
 - EQ H1 prime services' revenues up 16% vs. comparable period last year

Talking Points for Q2 '08 10-Q

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Commercial Mortgage and Real Estate [page 71]

- \$39.8B commercial real estate exposure at end of Q2, down 19% vs Q1
- Remaining exposure comprised of >2,500 individual positions with \$15.7M average value

\$Billions	Q2 Balance	Q1-Q2 Decrease		Q2	
		Dollars	Percent	# of Positions	Avg value (\$M)
Whole loans:					
Senior	\$19.5	\$(4.8)	(20%)	875	\$22.2
Mezzanine	5.9	(1.3)	(18%)	299	19.8
NPLs	1.9	(0.1)	(3%)	327	5.8
Equity	7.2	(1.0)	(12%)	670	10.7
Securities	5.3	(2.2)	(29%)	371	14.2
	\$39.8	(9.2)	(19%)	2,542	\$15.7

Confident in valuation due to significant price visibility from asset sales in Q2

- Sold ~\$8B of commercial real estate assets to more than 170 different client accounts
 - 80% of sales completed without seller financing
- Sold not just most liquid assets – transactions were across capital structure
 - Of commercial mortgage loans, 45% were mezzanine loans, 55% senior loans
 - Also sold \$1B of equity and \$2.9B of securities
- Portfolio is globally diverse

\$Billions	Q2 Balance Remaining		
	Americas	Europe	Asia
Whole loans:			
Senior	\$10.7	\$4.7	\$4.1
Mezzanine	4.6	0.7	0.6
NPLs	0.2	—	1.7
Equity	4.5	1.5	1.2
Securities	0.9	3.8	0.6
	\$20.9	\$10.7	\$8.2

- Whole loan portfolio highly diversified by property type

Property type	Office	Mixed use	Hotel	Multi- family	Retail	Condo	Other
	20%	15%	12%	19%	11%	5%	18%

Talking Points for Q2 '08 10-Q

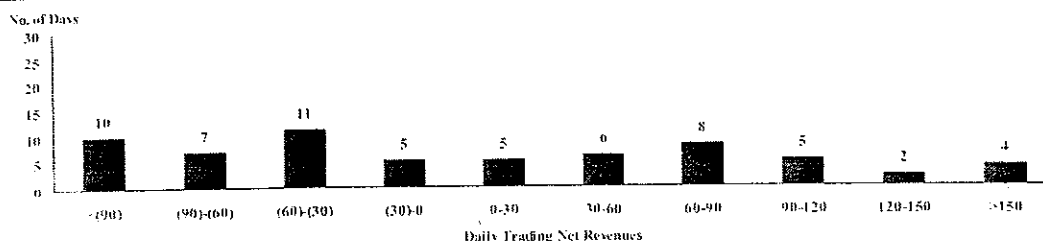
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CAPITAL POSITION, RISK MANAGEMENT AND EXPENSES

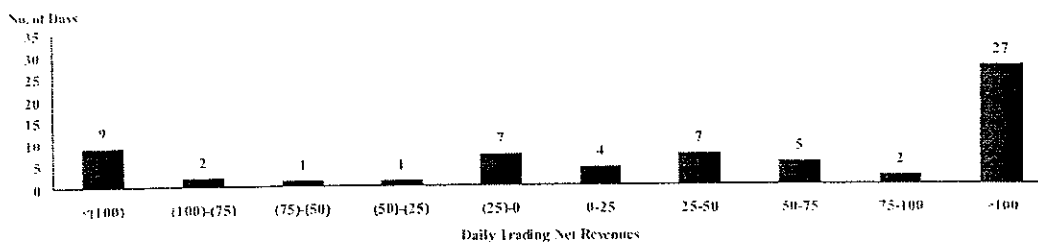
We Experienced Significant Market Volatility during the Quarter [pages 95, 99]

- Number of negative trading days increased from 7 days in Q1 to 33 days in Q2
 - When excluding negative trading days due to writedowns in residential and commercial real estate assets, the number of negative trading days would have decreased by one-third
- Competitors' number of negative trading days also increased
 - GS: from 17 days in Q1 to 20 days in Q2
 - MS: from 8 days in Q1 to 16 days in Q2
- Also, we experienced an increase in the variability of our daily trading net revenues
 - Overall Q2 distribution (fatter tails) broadly similar to competitors, i.e., MS and GS

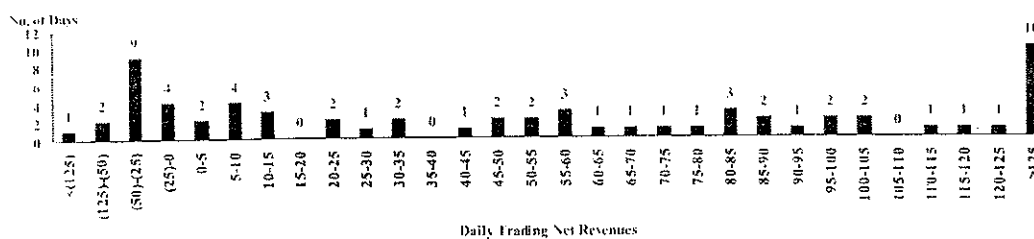
LEH Q2 Daily Trading Net Revenues (\$ in millions)



GS Q2 Daily Trading Net Revenues (\$ in millions)



MS Q2 Daily Trading Net Revenues (\$ in millions)



Talking Points for Q2 '08 10-Q

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Capital Position Remains Strong [pages 6, 80, 89, 103]

- Total stockholders' equity of \$26B at end of Q2, up 6% from Q1
- Long-term debt \$128B at end of Q2, flat vs. Q1
- Long-term capital \$154B at end of Q2 vs \$153B in Q1
 - Proforma for capital raise: \$160B
- Tier 1 and Total Capital ratios very strong
 - Total Risk-Based Capital significantly higher than 10% SEC threshold
 - Ratios compare very favorably to competitors
 - These ratios do not reflect the impact of June capital raise

	Q2			Q1				
	LEH	GS	MS	JPM ¹	Citi ¹	CS	DB	UBS
Tier 1 Capital Ratio	10.7%	10.8%	12.4%	8.3%	7.7%	9.8%	9.2%	6.9%
Total Risk-Based Capital Ratio	16.1%	14.2%	18.6%	12.5%	11.2%	13.6%	11.6%	10.7%

Non-Interest Expenses [page 66]

In \$millions	Q2	Q1	Percent Change
Compensation and benefits	\$2,325	\$1,841	26%
Non-personnel expenses:			
Technology and communications	309	302	2
Brokerage, clearance and distribution fees	252	253	(0)
Occupancy	188	185	2
Professional fees	100	98	2
Business development	87	89	(2)
Other	158	76	108
Total non-personnel expenses	\$1,094	\$1,003	9%
Total non-interest expenses	\$3,419	\$2,844	20%

Compensation and Benefits

- Increase in expense, in part, due to severance expense of \$0.1B
- We are committed to compensating our employees competitively to maintain the momentum of our franchise

¹ For JPM and Citi, ratios are based on Basel I measures of capital, for the other firms, ratios are based on Basel II

Talking Points for Q2 '08 10-Q

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Non-personnel expenses

- Other expenses rose in Q2 driven by:
 - \$20M associated with restructuring of our residential mortgage origination business
 - ~\$80M of depreciation expense for real estate-related positions that did not qualify as held for sale pursuant to SFAS No 144, Accounting for the Impairment or Disposal of Long-Lived Assets
- We have implemented a number of NPE cost savings initiatives which we expect will generate \$250M in annualized savings going forward

Talking Points for Q2 '08 10-Q

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LIQUIDITY POSITION

Liquidity Pool [pages 80-2]

- Record \$45B liquidity pool, up from ~\$34B in Q1 and \$35B in Q407
 - Liquidity pool primarily invested in cash instruments, government and agency securities and overnight repurchase agreements collateralized by government and agency securities

\$Billions	Q2 '08	Q4 '07
Unregulated		
Holdings liquidity pool at pledge value	\$44.6	\$34.9
Other unencumbered assets at market value	60.6	63.2
	105.2	98.1
Regulated		
Unencumbered assets held at market value	87.3	95.5
Total	\$192.5	\$193.6

- \$15B cash capital surplus, up significantly from \$7B at Q1
 - Cash capital surplus represents excess of LT funding sources over LT funding requirements
- Additionally, \$12.3B cash capital surplus in regulated entities vs. \$8.8B at Q1
- Strong access to unsecured market
 - Raised \$32.8B through 5/31, including \$13.8B since 3/15
- No reliance on “free” customer cash and minimal reliance on CP, ST unsecured financing or ABCP
 - “Free” defined as cash in excess of margin requirements in prime brokerage accounts
 - Total outstanding CP ~\$7.9B in Q2, almost flat from Q1
- Completed budgeted full year 2008 unsecured funding plan
- We have tested the new Fed Primary Dealer Credit Facility, but last accessed it on April 16 on overnight basis

Secured Funding Position [pages 84 & 85]

- Liquid assets are primarily funded on secured basis, generally through tri-party repo
- Tri-party repo \$188B at end Q2 '08, down from \$230B in Q1
 - \$83B is highly liquid government and agency securities
 - \$40B is high quality central bank eligible securities
 - \$25B is other high quality investment grade fixed income or major market equities
 - \$8B is repo with Lehman's own banks
 - Balance of \$32B has average tenor of >40 days, and is covered >1.4 x by liquidity pool
- 1/3 to 1/2 of \$188B total repo book is customer-matched activity – remainder is Firm inventory financed
- Overfunded tri-party repo book (*i.e.*, the Company has secured funding capacity in excess of firm and client positions) by ~\$27B at end Q208
 - Provides ability to absorb adverse changes in secured funding capacity in times of stress

Talking Points for Q2 '08 10-Q

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BUSINESS MODEL GOING FORWARD

- Entering second half of 2008 with tangible capital of more than \$33B – a figure which is only slightly less than that of two of our direct competitors
- Our deleveraging give us additional resources and capacity for our client model
- We have strong revenue potential going forward after our successful deleveraging
 - Our balance sheet size is not a gating factor
 - We are committed to disciplined and rigorous attention to the return characteristics of our capital

Strategic Principles

Creating Dominant Market Position

Achieving the highest level of relevance across global markets in which we operate so that our clients recognize us as a unique driver of value

Our Strategic Principles

Operational Excellence	Intellectual Capital	Risk Management	Client-Invested
<ul style="list-style-type: none"> ◆ Diversified Growth ◆ Local excellence, global strategy <ul style="list-style-type: none"> Balanced geographical investment One shared philosophy ◆ Precise execution <ul style="list-style-type: none"> Disciplined use of capital, risk and talent 	<ul style="list-style-type: none"> ◆ The recognized global research provider <ul style="list-style-type: none"> Fundamental: deep industry expertise, differentiated capabilities Non-fundamental: Quantitative, Analytics, Macro/Strategies, Equity-linked ◆ Product and transaction advisory excellence <ul style="list-style-type: none"> Leadership in idea generation, transaction structuring 	<ul style="list-style-type: none"> ◆ Market leading infrastructure ◆ Skilled operators ◆ Sound framework ◆ Execution on principles ◆ Market-based inputs 	<ul style="list-style-type: none"> ◆ Forge Inner-Circle Relationships <ul style="list-style-type: none"> "First Call" Tactical → Strategic ◆ Foundation of Trust <ul style="list-style-type: none"> Aligned interests Confidentiality and anonymity ◆ Delivering the Global Franchise <ul style="list-style-type: none"> One Firm mindset Shared obligation across Lehman team Synergy value